

NOMINATION OF MEL MARTINEZ

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HEARING  
before the  
COMMITTEE ON  
BANKING, HOUSING, AND URBAN AFFAIRS  
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS  
FIRST SESSION

ON

NOMINATION OF MEL MARTINEZ, OF FLORIDA, TO BE SECRETARY U.S.  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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WASHINGTON, DC

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Chairman Sarbanes. Thank you very much.

Senator Carper.

Before you came, we expressed our pleasure at the new Members who are coming onto the Committee. And of course you are one of them. We are very pleased to have you join this Committee.

We know you have had experience with these issues when you served in the House of Representatives and then of course experience with them as the Governor of the State of Delaware. We are really please that you are coming on to help us with our work.

Now others have made opening statements. You may want to do that as well and then proceed to your questioning.

**Senator Carper.** Mr. Chairman, thank you. I am delighted to be here. I had the pleasure of serving on the Banking Committee in the House for 10 years and the Housing Subcommittee for 10 years. These are issues I care about. We welcome our designee and we wish you well and thank you for your stewardship in Florida and for your presence here today and your testimony.

I want to express my thanks to the Chairman for his encouragement, encouraging me to seek membership on this Committee. I am delighted to be here with my old governor colleague, Zell Miller, and to have a chance to get to know Senators Allard and Enzi better in the years to come.

## COMMENTS OF SENATOR THOMAS R. CARPER

**Senator Carper.** And I think I will go right to the questions.

Mr. Martinez. Sure.

**Senator Carper.** Let me start off by reflecting back. Senator Miller and I wore other hats as governors. We served in the National Governors Association.

One of the great things about the National Governors Association is that we established a clearinghouse for good ideas. It was called the Center for Best Practices.

And the idea was that 50 States, 50 laboratories for democracy. A lot of us have similar problems that we face. And what we did is we took our best practices and shared them with everybody else.

Sometimes you look at Federal agencies and we are pretty good at the business of writing rules and regulations. Maybe not quite so good at figuring out what is working and to be able to distribute and share that information in an effective, timely way with others around the country. Let me just ask your thoughts on how we might do that better and how you might pursue that as Secretary of HUD?

Mr. Martinez. Senator, I come from a State where I think we have taken great pride, whether it be on issues of growth management or many other issues. Really, in fact, some really good government issues where I think Florida has led the way. I do believe that it is important that we share the knowledge and we share the opportunities for doing things in yet a little different way.

I have had the opportunity to chair the governor's task force on growth management in Florida. And in doing so, we have come up with some things there that are going to be reported in the next few days to the Florida legislature, which I think are innovative, which I think are cutting edge and which I think may be things that the whole Nation may wish to look at.

And so, I do believe in innovating. I believe in borrowing good ideas. And I think, frankly, that is the greater part of wisdom, is not in reinventing, but in borrowing from others who have done something particularly well. So I would look forward to that opportunity. And perhaps the Center for Better Practices is something that we should expand to Federal agencies as we try to serve the public interest in a different arena.

**Senator Carper.** I had the pleasure of serving as the Chairman of the NGA and later, as Chairman of the Center for Better Practices. It is one I am going to come back to with you again in the future and would urge you to pursue it and would offer whatever help that I can.

Mr. Martinez. I would look forward to working with you on that and your ideas on that would be really most welcome.

**Senator Carper.** Thank you. Let me ask-Zell Miller already asked my question on the smart growth. So I am going to leave that one alone for now. But when I was in the House, we looked at public housing as a lifetime entitlement. We said, you know, we do not think that is what it was intended to be.

Just like welfare. It was not intended to be a lifetime entitlement. But for a lot of people, it has become that. And the reason why welfare became a lifetime entitlement is because we set up, though the best of intentions, a system of incentives and disincentives where people are actually better off financially for staying on welfare than they were in

getting off of it. I think we have done a similar kind of thing with public housing in many instances.

In the State of Delaware, we took advantage of an opportunity to experiment more broadly with housing and to take a page from what we have done in welfare reform in this county.

What we have done is limit it, time limit it, to generally 3 years, the amount of time people can spend in public housing in our State. Not all of it, but a lot of our public housing, because that is managed by the State housing authority.

And we made it possible for folks, as they increased their earning power, their education, their earning power, and their income, to not see their rent payments go up. But, rather, instead of that incremental increase in rent to be paid to their housing authority, it would simply go into an escrow account and could be drawn from later on to provide a security deposit on an apartment, a down-payment of closing costs on a home.

I just want to ask. This is something that we have been given the opportunity to sort of lead the way on. Let me just ask if you are familiar with initiatives of this kind, generally your acceptance of this kind of experimentation. What do you think of it?

Mr. Martinez. Senator, first let me say that when I served as a local housing official in the Orlando Housing Authority, that one of the saddest things that I remember seeing, frankly, was a nice gentlemen who was at one of our housing meetings with his grandchild. He shared with me how he had lived in public housing since he was his grandchild's age.

And I thought, how sad, that three generations of Americans had yet found not the way to move out of that situation and into a life that would bring them more joy and happiness and prosperity. And so, I have always been taken by the idea that public housing ought to be transitional. It ought to be there for those that need it. And frankly, Senator, there are some in our society who will always need to be in some sort of living condition that is other than as we would have it.

But at the same time, for those who have an opportunity to move out of this situation, it is something that we should encourage and we should work hard to help them do.

I do not think it is something that we can do in a way that does not show the kind of compassion I think we must have for those who may not know how to get out of the situation.

But I would look forward to working with you. I am not familiar with the programs that you mentioned, but I would look forward to working with you. I am very, very receptive to those. I think it is part of, as I stated earlier before you came, about the fulfillment of the promise of America which has been so true in my life.

And quite frankly, I think we need to help others to reach that and getting folks off of welfare or getting them into housing that is not public housing, is part of that compassionate way in which we have to help folks in our society that heretofore have been denied the opportunity or foreclosed from the opportunity of having their own home.

**Senator Carper.** Thank you. I look forward to working with you on that.

Mr. Martinez. Thank you.

**Senator Carper.** Let me ask one other question if I could, Mr. Chairman. We have a lot of financial institutions in our little State.

I tell people we raise more chickens per capita in Delaware. We have more corporations than any State in the country. We build more cars per capita in Delaware. We also have more banks per capita in our State.

Chairman Sarbanes. But you do not have a lot of per capita, though.

[Laughter.]

**Senator Carper.** But we have a lot of chickens, cars, banks, and corporations.

[Laughter.]

Those financial institutions in our State have an obligation under the Community Reinvestment Act to invest in all segments of our community. Some of those banks are sort of traditional community banks, and others are specialty banks, credit card banks, wholesale banks, and so forth. But collectively, they have helped make it possible in our State to provide a homeownership rate which actually approaches 75 percent.

The national average I think is closer to 65 percent. And they have been a wonderful partner, particularly with the reduction of Federal dollars for housing, a wonderful partner of ours in our little State to make homeownership a reality. I would just be interested in hearing your views on the Community Reinvestment Act and what role you see it playing in rebuilding our communities and making housing -homeownership, rather- possible for all of us.

Mr. Martinez. Senator, I think CRA have a very important role to play in community building and allowing all Americans to reach the dream of owning a home.

One of the things that I have done in the private sector is serve as the director of a bank. And it is in that role I know that at times it can be a headache for the private sector to fulfill the CRA requirements. But I also know it is the right thing to do and it is a good thing for communities.

I think access to credit and the opportunity for fair, frankly, credit is one of the ways in which we should help Americans reach that dream of homeownership. It can come through some counseling. It can come through working with credible and serious financial institutions.

One of the issues I know this Committee has concerned itself with is predatory lending. I think it is an abhorrent practice. It is something that I, in my local government official role, fought feverishly to see end in ways which were different that this Committee would face, but which were also, nonetheless, preying on our most vulnerable. So I think CRA is important. I think CRA is something that I believe has made and can continue to make a difference in the lives of many Americans seeking their first home.

**Senator Carper.** Mr. Martinez, thank you again for being with us today and for sharing your thoughts and your life with us if you are confirmed. We talked about in this short time three things that I am going to come back to you again if you are confirmed, and I think you will be.

One of those is how do we better ensure that HUD serves as a clearinghouse for what is working in our country to improve the lives and quality of lives and improve opportunities for housing. The notion of public housing as a transitional entitlement, not as a lifetime entitlement.

And finally, CRA, how can we make sure that, while not imposing undue burdens on financial institutions, trying to meet the responsibilities under the law, how can we ensure that CRA continues to benefit people in all 50 States- your State and mine.

Mr. Martinez. Thank you, Senator.

**Senator Carper.** Thank you very much, Mr. Chairman.

Chairman Sarbanes. Thank you, Senator Carper.

Chairman Sarbanes. Thank you.

Senator Carper, do you have anything further?

**Senator Carper.** One last quick one, if I could. The issue of low-income tax credits, which was I think being discussed in the last Congress, and it may have been dealt with and included in the final package.

Is that correct, Mr. Chairman?

Chairman Sarbanes. It was included, yes.

**Senator Carper.** I do not know how familiar you are with their use or utilization. But if you have any thoughts about how we might use low-income tax credits more creatively, I would be interested in those thoughts. And if that is not a fair question-

Mr. Martinez. No, it is not an unfair question, Senator. But it is one that I would prefer to get back to you on. I am not really- at this point, I do not have any bright ideas that I can share with you on how I am going to make that work better. So I would prefer to work with you down the road. And I note that that is an area of interest to you.

I think it can be very important to the outcome that we are trying to obtain. But at this time, I really do not have any additional information I can share with you.

**Senator Carper.** You realize that, as a result, I may not be able to support your nomination.

[Laughter.]

Mr. Martinez. Well-

**Senator Carper.** Just kidding. Just kidding

Mr. Martinez. Well, there is only four left. So-

[Laughter.]

**Senator Carper.** You are way ahead. You are way ahead.

Mr. Martinez. Senator Dodd just came back.

**Senator Carper.** All right. Thank you.